

AMENDMENTS TO THE SPECIFICATION

Please replace Paragraph [0017] with the following paragraph rewritten in amendment format:

Figure 1 illustrates an encoding apparatus 10 according to the present invention that preferably uses enhanced spread spectrum watermarking of digitized media by reducing at step 53 of Figure 2 the variance of the host signal prior to adding the watermark at step 54. The encoding apparatus 10 (Fig. 1), features a partial decoder 12 that is receptive of a compressed audio data stream 14, and operable to partially decode the compressed audio data stream, thereby obtaining a partially decoded audio data stream 16 having quantization indices 18. The apparatus further features an index selector 20 in communication with the partial decoder 12 that is operable to select a plurality of the quantization indices 18, thereby obtaining selected indices 22. Index selector 20 is further operable to determine respective amounts by which to modify the selected indices 22.

Please replace Paragraph [0025] with the following paragraph rewritten in amendment format:

Referring to Figure 2, a method for embedding data in a compressed data stream begins at 40 and proceeds to steps 42, 44, and 46, wherein data, such as digital watermark, an encoding key, and the compressed data stream are respectively received. The compressed data stream is partially decoded at step 48 to obtain a

partially decoded data stream having quantization indices[[.]], and indices are selected at step 50. Respective amounts for modifying the selected indices are also determined at step 52. At step 54, following variance reduction at step 53, the data received in step 42 is embedded into the indices selected at step 50 according to the respective amounts determined at step 52, and based on the encoding key received at step 44. A decoding key is preferably generated at step 56 based on the encoding key received at step 44 and the embedding process of step 54. The partially decoded data stream with data embedded in quantization indices is partially encoded at step 58, and the method ends at 60.